



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 10/31/2008

**GAIN Report Number:** TH8172

## Thailand

### Cotton and Products

### Outlook Update

**2008**

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**Report Highlights:**

The global and domestic Thai economic slowdown will likely decrease demand for U.S. cotton in Thailand. The Federation of Thai Industries (FTI) expects the textile industry will be one of the hardest hit sectors. Presently, the textile industry is reducing production capacity by approximately 30-40 percent. Most spinners are reportedly looking to bring down large yarn stocks that may take over a quarter to sell off. As a result, MY 2008/09 U.S. cotton imports are also expected to decline by 15-17 percent in volume.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Trade Report  
Bangkok [TH1]  
[TH]

**External pressure**

MY 2008/09 cotton import is revised downward in anticipation of slower-than-expected Thai economic growth in 2008 and 2009. The Bank of Thailand has revised Thai economic growth down in 2008 from 4.8-5.8 percent to 4.3-5.0 percent. The slowdown will likely continue in 2009 down to 3.8 percent, particularly in the first half of the year. The Federation of Thai Industries (FTI) expects the textile industry will be one of the hardest hit sectors. Presently, the textile industry, particularly spinners, is reducing their production capacity by approximately 30-40 percent. The outlook is reportedly pessimistic for the next two quarters (1<sup>st</sup> and 2<sup>nd</sup> quarter of CY2009), particularly for export-oriented companies, due to a significant drop in orders. The Thai garment market in the U.S. and Europe, which accounts for around 70 percent of total garment exports, is facing a possible recession next year following the ongoing global financial crisis. In addition, the Thai textile industries will likely face a more stringent credit policy with commercial banks and higher cost of capital in 2009.

**Domestic factors**

Economic slowdown in Thailand may increase unemployment from estimated 1.7 percent in 2008 to 2.2 percent in 2009. The FTI expected 15-20 percent of the industrial workforce to be laid off in the beginning of 2009 due to the current reduction in industrial capacity utilization. Unemployment in the industrial sector has increased since mid-2008 but an increase in farm employment has offset this due to higher commodity prices. However, the current downward trend in global agricultural commodity prices threatens to limit the absorption of unemployed workers in the coming year.

**Cotton imports forecast to decline**

MY2008/09 total cotton imports are forecast to fall by up to 10-15 percent by volume if export-oriented textile industries continue to struggle with the global economic downturn. Most spinners are reportedly looking to bring down large yarn stocks that may take over a quarter to sell off. Despite current cotton prices falling by 15-20 percent from the second half of MY 2007/08, spinners are reluctant to buy over liquidity concerns and a more stringent credit policy in Thai commercial banks. MY 2008/09 U.S. cotton imports are also expected to decline by 15-17 percent by volume if spinners shift to Indian and West African cotton which is relatively cheaper than U.S. cotton. As a result, U.S. market share could drop slightly to 40 percent of total cotton imports.

## Statistic Tables: Thailand's Production, Supply and Demand for Wheat

Cotton	Thailand	2006			2007			2008		
		2006/2007			2007/2008			2008/2009		
		Market Year Begin: Aug 2006			Market Year Begin: Aug 2006			Market Year Begin: Jun 2008		
		Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
				Data			Data			Data
Area Planted		0	5000	5000	0	4650	4650	0	4500	4500
Area Harvested		9	4950	4950	8	4600	4600	8	4451	4450
Beginning Stocks		408	408	408	352	346	341	341	290	262
Production		16	30	10	15	28	10	15	28	9
Imports		1905	1905	1920	1928	1950	1943	1900	2000	1700
MY Imports from U.S.		0	531	531	0	750	834	0	760	710
Total Supply		2329	2343	2338	2295	2324	2294	2256	2318	1971
Exports		2	2	2	4	4	2	2	5	0
Use		1950	1970	1970	1925	2000	2000	1900	2050	1750
Loss		25	25	25	25	30	30	25	30	30
Total Dom. Cons.		1975	1995	1995	1950	2030	2030	1925	2080	1780
Ending Stocks		352	346	341	341	290	262	329	233	191
Total Distribution		2329	2343	2338	2295	2324	2294	2256	2318	1971
Stock to Use %		18	18	17	18	14	13	17	11	11
Yield		387.0	1.0	0.0	408.0	1.0	0.0	408.0	1.0	0.0

End of Report